

Top 10 Things Your Marketing Database Should Do For You

By Karen Marchetti

Is your customer file giving you a real advantage? Do you have a clear profile of your best customers? Do you know how to allocate marketing dollars across your customers, to generate the strongest return?

If you're a little fuzzy about database marketing – what it is, what it can do for you, how to set it up, etc. – here's a short list of what your marketing database should be doing for you.

1. CONTACT: **Give you access to your customers via mail, phone, fax, and email.**

Build a database with at least these four contact elements, to make your marketing dollars go farther. It can cost from 5 to 20 times *less* to generate a sale from a customer as from a non-customer. And the more cost-effective the contact method, the better. Ask for these elements on every first order, and ask for any missing information when customers call in future orders

2. PRODUCT SALES: **Give you products purchased by each customer and when.**

Record what each customer buys from you, and the purchase price. Add the date of each order, to allow you to differentiate between frequent and infrequent buyers, and identify how recently the last order was made.

This will allow you to pitch future product promotions to those most likely to purchase the same or a similar product. Those customers who've purchased from you more than once are also more likely to purchase again. And those customers who've purchased most recently, most frequently, and with the highest dollar sales can be the best targets for future sales. You can also help retain customers, by using timely promotions to generate the next order from those who haven't purchased in a while. Plus, you can identify cross-sell opportunities. For example, if a significant portion of product A customers also purchase product B, select those A buyers who haven't bought B and send a special promotion on product B.

(Of course, all of this assumes your database is set up as a relational file. For more on this, see below.)

3. SOURCING: **Track how you're getting new customers.**

Include an "original source" field, to record how you first attracted each customer (trade show, print ad, direct mail, etc.). This will help you identify those marketing tactics that are generating customers for you most cost-effectively.

4. PROFILING: **Identify the characteristics of your customers.**

Record the defining elements about each customer, such as demographics, psychographics, and product usage information. Gather as much information about each customer as possible, to help target future promotions to prospects who look like your customers.

If you market to consumers, gather information important to your product area (i.e., use of a PC or Internet access, hobbies, presence of children, ages of children, home owner/renter, magazines read, etc.). For businesses, gather information such as size of business (sales, number of employees), type of business (SIC code or industry), how your product is used, title of decision-maker, all other employee

titles important to the decision, etc. Ask customers for this information, in exchange for something extra (5% off their order, a free sample of another product, etc.).

5. **HIGH PROFIT ID: Help you identify your most profitable customers.**

From customer purchases (point 2 above), you can identify those customers that generate the bulk of your sales. To take this a step farther, for each product, determine your gross profit per sale (take the amount paid by the customer, and subtract all of your direct costs of providing that product, such as raw materials, manufacturing costs, packaging, manuals, etc.). Have your database automatically fill in the appropriate gross profit in a “profit” field for every product purchase for every customer.

Add up all of those gross profit figures by customer, to identify your most profitable customers. This will help you allocate future marketing dollars where there is the highest potential return.

6. **HI-PROFIT PROFILING: Profile your most profitable customers.**

Knowing as much as possible about your most profitable customers is a critical task for every marketer. Use this information to locate prospects that look like your most profitable customers. Then, communicate relevantly with your most profitable customers to retain them and maximize their lifetime value. Consider incentives for your sales force or customer surveys with incentives for responding, to help you gather this information.

7. **AVERAGE PROFIT ID: Identify average profit customers for promotion.**

Add up the gross profit generated by each customer for the past year, and rank your customers from highest to lowest profits. Then test the “80/20 rule”: add up all the profit for all customers, and multiply the total by 80%. Then starting with your most profitable customer, add that customer’s profits to the 2nd most profitable customer’s profits, and so on. Keep adding each customer’s profits to the cumulative total until the number equals 80% of the total profit. See what percentage of your customers make up 80% of your profit – is it the typical 20%, or some other figure?

For all customers below that top 20% (or whatever your particular percentage is), plan how can you turn the next most profitable customers into most profitable customers (i.e., conduct product-specific mailings, contact them more often, etc.).

11. **MARKETING RESULTS: Track which customers respond to which promotions.**

Each time you contact a customer with a particular marketing effort, you should record in the customer record: the product pitched, the offer (price discount, free gift, etc.), the package version mailed (particular benefits emphasized or emotional appeal used), and the date of the promotion. Then be sure to record which customers purchased as a result of the promotion.

This will allow you to identify which customers are responsive to each type of offer and each package version. By profiling responders and non-responders to each promotion, you should be able to create a more “customized” contact plan for each type of customer in the future.

12. **MARKETING ROI: Track profit versus marketing cost for each customer.**

When you record each customer contact (in point 8 above), you can assign a per mailer, per phone/fax call, or per email cost in that customer record. That will allow you to add up your marketing costs versus profits generated – by customer – for the year. You can then determine if your contact strategy should be modified to generate a better return on your marketing dollars (i.e., contact some customers more, and some less).

10. LIFETIME VALUE: **Know how much to spend to acquire each customer.**

With the date of first purchase and the gross profit generated by each customer per year, you can keep track of how long each customer stays with you, and how much profit that customer brings to you over the length of time they do business with you. This “lifetime value” (gross profit per year times average years they remain with you) tells you how much each customer is worth to you – and gives you an upper limit as to what you should be spending to acquire each customer.

To put Database Marketing to use, you’ll need a “relational” database. A relational database structure is where every piece of information about a customer is related to (and retrievable by) that customer record. Depending on the number of records and data fields you anticipate, you may be able to use off-the-shelf software (such as MS Access) to warehouse, access, and analyze your customer data. Every step above that you can build into your Database will make your return on marketing investment that much stronger.

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